

FX B

VOLUME: I
PAGES: 1-301
EXHIBITS: D-79-D-83

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION
CIVIL ACTION NO. 4:19-cv-00957

IN RE:

ALTA MESA RESOURCES, INC.
SECURITIES LITIGATION

ALYESKA MASTER FUND, L.P., ALYESKA MASTER
FUND 2, L.P., AND ALYESKA MASTER FUND 3, L.P.,
Plaintiffs,

vs.

ALTA MESA RESOURCES, INC., f/k/a SILVER RUN
ACQUISITION CORPORATION II; RIVERSTONE HOLDINGS,
LLC; ARM ENERGY HOLDINGS, LLC; BAYOU CITY ENERGY
MANAGEMENT, LLC; HPS INVESTMENT PARTNERS, LLC;
JAMES T. HACKETT; HARLAN H. CHAPPELLE; WILLIAM
GUTERMUTH; JEFFREY H. TEPPER; DIANA J. WALTERS;
MICHAEL E. ELLIS; RONALD SMITH; DON
DIMITRIEVICH; PIERRE F. LAPEYRE, JR.; DAVID M.
LEUSCHEN; WILLIAM W. McMULLEN; DONALD SINCLAIR;
STEPHEN COATS; and THOMAS J. WALKER,
Defendants.

VIDEOTAPED DEPOSITION OF STEVEN P. FEINSTEIN, PhD
FRIDAY, NOVEMBER 10, 2023
8:56 AM (EST)

[PAGES INTENTIONALLY OMITTED]

1 should have known, according to plaintiffs, that
2 these numbers were too high. Exactly how low it
3 had to go, I don't -- I don't know for sure, and
4 maybe the plaintiffs -- maybe the company didn't
5 know, but that's why it's a misrepresentation when
6 they said that they did know what the number was or
7 should -- what a reasonable projection was that
8 supported a value of \$3.8 billion for the
9 enterprise.

10 I mean, if -- if investors knew they were
11 being asked to invest in an extremely risky project
12 where the people managing the project didn't even
13 know themselves what it was worth or how much oil
14 it would produce, they would -- if they knew that,
15 they certainly would not have paid the valuation
16 that was arrived at or derived from assumptions
17 that they did know and that it was highly
18 productive.

19 Q. All right. So in that answer you
20 mentioned the term "derisk."

21 A. Yeah.

22 Q. What does that mean?

23 A. Well, I've seen it used a number of
24 different ways in the documents in this case, and
25 they -- wildcatting is risky, you know. You start

[PAGES INTENTIONALLY OMITTED]

1 of the company --

2 Q. But I'm --

3 A. -- which is -- which is about the guidance
4 and things related to it.

5 Q. Sorry. I didn't mean to interject there.

6 A. Guidance, yeah, about the guidance and
7 things related to it.

8 Q. So let's -- again, let's just focus on
9 the -- the guidance for Alta Mesa's barrels of oil
10 equivalent per day.

11 A. Okay.

12 Q. How much of the -- of the \$1.33 residual
13 price decline on August 14th, 2018, is attributable
14 to Alta Mesa's revised guidance as it concerns
15 barrels of oil per day for 2018?

16 A. When you say the "revised guidance," do
17 you also mean the trustworthiness of the company's
18 projections about revising guidance? Because I do.

19 Q. So I'm asking specifically about the
20 numbers that were disclosed that day.

21 A. Right. The numbers disclosed that day
22 informed the marketplace better about the company's
23 condition and capabilities, which included how
24 trustworthy the company was and what sort of a --
25 and the quality of the due diligence that went into

1 arriving at the guidance in the first place.

2 I mean, maybe we're misunderstanding each
3 other because, as a financial analyst, I understand
4 that the numbers tell a story, and so it's the
5 story and the number that produce the change in
6 valuation, not just the number, ignoring the story
7 that the number tells.

8 Q. Okay. Yeah.

9 So are the August 20 -- are the
10 projections, the -- the guidance that was issued
11 on -- on August 14th, 2018, is that also an alleged
12 misstatement in this case?

13 A. My understanding is plaintiffs are
14 alleging that this number was known by the company
15 to be unreliable and -- and overstated. The
16 revised -- we're talking about the revised number,
17 the revision from August 8 -- produced for AMH on
18 August 14th; right? That's what we're talking
19 about? Yeah, the plaintiffs believe that number
20 was misrepresented and was a misrepresentation and
21 reflected omissions about what went into that
22 number.

23 Q. Okay. And when was the -- when was -- so
24 when were the statements in the August 2018
25 guidance corrected?

[PAGES INTENTIONALLY OMITTED]